

## Message Text

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ACTION EB-08

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FM AMEMBASSY ISLAMABAD  
TO SECSTATE WASHDC 8007

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E.O. 11652: NA  
TAGS: EAGR, EAID, PK  
SUBJECT: PAKISTAN WHEAT CROP FOR 1978

SUMMARY: MISSION PAKISTANI STAFF CONDUCTED INTENSIVE  
OBSERVATION OF WHEAT SITUATION IN PUNJAB AND SIND PROVINCES.  
OBSERVATIONS INDICATE SIZEABLE REDUCTIONS IN YIELD OF 1978 HARVEST  
WHEN COMPARED WITH 1977 YIELD. RESULTS OF THIS SURVEY ALSO INDICATE  
SMALLER CROP THAN EXPECTED BY GOP WHICH IS NOW PREPARING AIDE  
MEMOIRE FOR DISTRIBUTION TO POTENTIAL DONORS COVERING WHEAT AND  
EDIBLE OIL REQUIREMENTS. IT APPEARS THAT PROBLEM MAY WELL BE MORE  
SERIOUS THAN THE GOP IS WILLING TO ADMIT. END SUMMARY.

1. FIVE SENIOR USAID AND ONE AG ATTACHE OFFICE PAKISTANI STAFF  
CONDUCTED INTENSIVE OBSERVATION (JUNE 13-24) OF WHEAT SITUATION  
IN PUNJAB AND SIND PROVINCES, WHERE 90 PERCENT OF WHEAT IS PRODUCED.  
IN PUNJAB PROVINCE 150 FARMERS WERE CONTACTED. OF THESE CONTACTS 78  
FARMERS WERE INTERVIEWED INTENSIVELY AND SAMPLES OF THEIR CROP WERE  
TAKEN. IN SIND PROVINCE 100 FARMERS WERE CONTACTED; OF THESE CONTACTS  
58 WERE INTERVIEWED INTENSIVELY AND CROP SAMPLES WERE TAKEN. IN  
ADDITION 50 PROVINCIAL AGRICULTURAL OFFICERS, MERCHANTS AND BANKERS  
WERE INTERVIEWED WHO NORMALLY DEAL WITH THE WHEAT CROP THROUGH SEED  
AND FERTILIZER DISTRIBUTION, CROP PROCUREMENT AND CREDIT. WE REALIZE  
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THAT A SURVEY OF THIS TYPE CANNOT GIVE A PRECISE PICTURE OF THE TOTAL  
FIELD SITUATION, ESPECIALLY SINCE FARMERS TEND TO OVERSTATE THEIR  
PROBLEMS. NEVERTHELESS, WE FEEL THE RESULTS CONFIRM THAT WHEAT PRODUC  
-  
TION FROM THE 1978 CROP JUST HARVESTED IS SIGNIFICANTLY LOWER THAN  
THAT OF A YEAR AGO.

2. THE JUDGEMENT FOR THE 1978 YIELD NOTED BELOW IS BASED ON A) ANALYSIS OF DATA PROVIDED BY PROVINCES WCD B) OBSERVATIONS OF THE TEAM. AID'S ANALYSIS OF THE RESULTS OF THIS SURVEY RESULTS IN A PRODUCTION ESTIMATE RANGE OF FROM 7.21 MILLION TONS (THE OBSERVER TEAM'S LOWEST ESTIMATE) TO 7.5 MILLION TONS BASED ON DATA GATHERED IN THE PROVINCE. THE EMBASSY'S AGRICULTURAL ATTACHE BELIEVES THAT AN 8.0 MILLION TON FIGURE WOULD BE CLOSE TO THE MARK. USAID AND THE EMBASSY BELIEVE THIS MAY BE HIGH. AMIR MOHAMMED, WHO WAS AGRICULTURAL ADVISOR TO THE CMLA UNTIL JULY 6, TOLD US THAT THE FEDERAL GOVERNMENT IS USING A FIGURE OF 8.2 MILLION TONS FOR PRODUCTION. PRESUMABLY THIS FIGURE WILL BE USED IN THE FORTHCOMING AIDE MEMOIRE. AMIR MOHAMMED ALSO TELLS US THAT IN HIS OPINION THE FIGURE FOR THE 1976-77 CROP WAS AROUND 8.5 MILLION TONS AND NOT THE OFFICIALLY ESTIMATED 8.8 MILLION TONS.

3. IF ONE ACCEPTS THE RANGE OF 7.21 TO 7.5 MILLION TONS FOR 1978 AS AGAINST THE 8.8 MILLION TONS OR 8.5 MILLION TONS FOR 1977 THEN WE ARE TALKING ABOUT A 12-18 PERCENT REDUCTION IN THE YIELD THIS YEAR. IF ONE ACCEPTS, PERHAPS OPTIMISTICALLY, 8 MILLION TONS AGAINST 8.5 MILLION TONS LAST YEAR, THEN WE ARE TALKING ABOUT A REDUCTION OF ABOUT 5 PERCENT. IF THE REQUIREMENT IS 10 MILLION TONS THIS SUGGESTS AN IMPORT REQUIREMENT OF 1.5 MILLION TO 2.8 MILLION TONS. IT IS PROBABLE THAT AN IMPORT REQUIREMENT WOULD EXCEED 2 MILLION TONS. (NOTE: OVERALL ESTIMATES DO INCLUDE NWFP AND BALUCHISTAN DATA.) HOWEVER THE GOP'S FOOD DEPARTMENT USUALLY BASES ITS IMPORT NEEDS ON THE DIFFERENCE LIMITED OFFICIAL USE

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E  
BETWEEN ITS NEEDS OF ABOUT 3.0 MILLION TONS AND PROCUREMENT. HENCE PROJECTED IMPORT NEEDS WILL NOT BE KNOWN UNTIL THE PROCUREMENT FIGURES ARE IN. WE DO KNOW THAT PROCUREMENT IS LAGGING BEHIND LAST YEAR. SO FAR IT IS ABOUT 1 MILLION TONS COMPARED WITH 1.3 MILLION TONS AT THIS TIME LAST YEAR. THE GAP MAY WIDEN. LAST YEAR'S TOTAL PROCUREMENT WAS 1.9 MILLION TONS.

4. ONE ADDITIONAL SOURCE PROVIDED AN INDEPENDENT OBSERVATION OF THE 1978 WHEAT CROP. THE IBRD TECHNICIAN IMPLEMENTING THE BANK'S NEW AGRICULTURAL EXTENSION PROJECT SPENT OVER TWO WEEKS IN PUNJAB AND SINDH IN JUNE IN CONNECTION WITH THE PROJECT; HE ALSO OBSERVED WHEAT PRODUCTION AT THE SAME TIME. HE REPORTED TO THE ACTING IBRD RESREP, FOR WHAT IT IS WORTH, THAT IN HIS JUDGMENT THE 1978 CROP IS ABOUT 7.5 MILLION TONS. WE UNDERSTAND THIS OBSERVATION HAS BEEN REPORTED TO IBRD WASHINGTON BY THE RESREP.

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5. REASONS FOR PRODUCTION DECREASE:

A) DECREASED ACREAGE. BASED ON THE DISCUSSIONS WITH FARMERS IN THE OBSERVATION SAMPLE, THE TEAM ESTIMATED A REDUCTION OF ABOUT 100,000 ACRES OF WHEAT PLANTING IN EACH OF THE PUNJAB AND SIND PROVINCES. SOME FARMERS STATED THAT UNLESS WHEAT PRICES WERE INCREASED TO A MORE "REALISTIC" LEVEL, WHEAT ACREAGE WOULD FURTHER DECLINE FOR THE NEXT CROP.

B) WIDESPREAD RUST ATTACKS: A NUMBER OF VARIETIES WERE RELEASED FOR PLANTING WITHOUT SUFFICIENT RESEARCH DONE ON RUST RESISTANCE; RUST WAS A SIGNIFICANT FACTOR IN REDUCED YIELDS.

C) SEED QUALITY: FARMERS MENTIONED POOR QUALITY SEED AS A MAJOR FACTOR IN REDUCED YIELDS. THEY WANTED QUALITY RUST RESISTANT SEED AND COULD NOT GET IT. LESS THAN 7 PERCENT OF THE SEED REQUIREMENT IN THE PUNJAB FOR THE LAST RABI CROP WAS PROVIDED BY THE PAKISTAN AGRICULTURAL DEVELOPMENT AND SUPPLIES CORPORATION AND THERE WERE NUMEROUS COMPLAINTS ABOUT WHAT WAS SUPPLIED. MUCH OF THE SEED CAME FROM CARRY OVER STOCKS OF OTHER FARMERS AND NEIGHBORS. OUR TEAM OBSERVED THAT SOME OF THE SEED THEY SAW BEING RETAINED FOR THE NEXT PLANTING IS SHRIVELLED AND OF LOW QUALITY. (AVAILABILITY OF RUST RESISTANT QUALITY SEED PROMISES TO BE A SERIOUS PROBLEM IN THE CROP TO BE SOWN THIS FALL.)

D) WEATHER: ACCORDING TO SOME FARMER, WIDESPREAD FROST IN LATE JANUARY AND FEBRUARY HAD A SEVERE EFFECT ON GRAIN FORMATION OF

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EARLY

SOWN VARIETIES. THIS WAS FOLLOWED BY PERSISTENT CLOUDY WEATHER AND RAIN THAT CONTRIBUTED TO RUST INFESTATION. THE A SUDDEN RISE IN

TEMPERATURES DURING THE CROP MATURITY PERIOD SHORTENED  
THE GRAIN-FILLING PERIOD RESULTING IN SHRIVELLED GRAIN.

E) SUPPLIES AND WATER: SOME FARMERS PARTICULARLY SMALL FARMERS,  
COMPLAINED OF LACK OF FERTILIZER AT PLANTING TIME AS A CONTRIBUTING  
FACTOR TO REDUCED YIELDS. OTHERS PARTICULARLY IN THE SIND, COMPLAINED  
ABOUT BEING ON THE TAIL-END OF THE WATERCOURSE AND NOT GETTING  
SUFFICIENT WATER TO IRRIGATE PROPERLY.

F) MARKETING AND STORAGE: ALMOST WITHOUT EXCEPTION, FARMERS WERE  
NOT SATISFIED WITH THE CURRENT GOVERNMENT PROCUREMENT PRICE OF  
WHEAT. MANY, PARTICULARLY THOSE WITH SMALL HOLDINGS, WERE FORCED TO  
SELL SOME WHEAT TO GET CASH FOR INPUTS FOR THEIR SUMMER CROPS. THE  
OVERALL TENDENCY, HOWEVER, WAS TO SELL THE POOREST WHEAT AND HOLD  
THE BETTER QUALITY FOR THEIR OWN CONSUMPTION AND SEED OR FOR SALE  
LATER AT A BETTER PRICE. MARKET ARRIVALS WERE RUNNING AT 60-70 PERCENT

LOWER THAN PREVIOUS YEARS. MERCHANTS OPINED THAT FARMERS, ESPECIALLY  
LARGE FARMERS, ARE HOLDING WHEAT UNTIL THE FOOD DEPARTMENT  
PROCUREMENT DRIVE HAS RUN ITS COURSE IN ANTICIPATION OF HIGHER  
PRICES. SOME MERCHANTS WERE CONTRACTING NOW FOR FARMER STOCKS AT  
RS. 40-45 PER MAUND TO BE PICKED UP IN 3 TO 4 MONTHS FROM NOW. SMALL  
FARMERS ARE HOLDING FULL YEAR'S SUPPLY FOR HOME CONSUMPTION THIS  
YEAR RATHER THAN THE USUAL SIX MONTHS SUPPLY; LAST YEAR THEY GOT  
CAUGHT BY SELLING AT RS. 37 PER MAUND AND LATER HAD TO BUY AT RS.  
55-65 PER MAUND. THE FOOD DEPARTMENT IS HAVING DIFFICULTY BUYING FOR  
RS. 37 PER MAUND AND MUCH OF WHAT THEY ARE GETTING IS OF INFERIOR  
QUALITY.

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6. DONOR MEETING TO ADDRESS FOOD GAP AND PRODUCTION

WE BELIEVE IT WOULD HELPFUL TO APPROACH DONOR MEETING AS FOLLOWS: GOP SHOULD SPELL OUT CAREFULLY AND PRECISELY A PRODUCTION STRATEGY TO BE IMPLEMENTED AS SOON AS POSSIBLE CONSISTENT WITH THE WHEAT PRODUCTION GOALS OF ITS FIVE YEAR DEVELOPMENT PLAN RELEASED JULY 3, 1978. THIS STRATEGY SHOULD ADDRESS THE OVERALL PROBLEM OF GROWING, AS A MINIMUM, ENOUGH WHEAT TO SATISFY DOMESTIC CONSUMPTION PLUS A RESERVE TO COPE WITH ADVERSE CONDITIONS WHICH MAY DEVELOP IN ANY ONE CROP YEAR.

FOLLOWING UP THE ELEMENTS IDENTIFIED AT THE CONSORTIUM MEETING, WE BELIEVE THE STRATEGY SHOULD INCLUDE, BUT NOT BE LIMITED TO, THE FOLLOWING:

A. QUALITY SEED AND FERTILIZER - HOW MUCH SEED AND FERTILIZER WILL BE NEEDED AND HOW DOES THE GOVERNMENT PROPOSE TO INSURE ITS TIMELY AVAILABILITY? (SEPTEL ON OUR ESTIMATE OF FERTILIZER REQUIREMENTS FOLLOWS.)

B. HOW WILL DISTRIBUTION OF INPUTS BE HANDLED TO INSURE ACCESS TO THE M BY ALL FARMERS, BUT ESPECIALLY SMALL FARMERS?

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C. WHAT IMPROVEMENT WILL BE MADE IN PROVIDING CREDIT SO THAT SMALL FARMERS CAN PROCURE INPUTS?

D. WHAT POLICIES DOES THE GOVERNMENT PLAN TO ADOPT TO INSURE THAT PRICE INCENTIVES ARE REALISTIC AND ANNOUNCED ON A TIMELY BASIS?

E. WHAT WILL THE GOVERNMENT DO TO TIGHTEN UP THE CURRENT RATION SHOP SYSTEM; LIMIT PUBLIC SECTOR OFFTAKE, AND REDUCE THE WHEAT SUBSIDY?

F. WHEN DOES THE GOVERNMENT INTEND TO LIFT CURRENT RESTRICTIONS ON INTER-DISTRICT MOVEMENT OF WHEAT?

G. WHAT STEPS ARE BEING TAKEN TO PROVIDE COMPREHENSIVE AND ACCURATE DATA AND ANALYSIS ON PRODUCTION CONSUMPTION AND OFFTAKE TO GOVERNMENT POLICYMAKERS?

WE CONTINUE TO BELIEVE THAT FOOD AID OVER THE COURSE OF TIME SHOULD BE RELATED TO PROGRESS IN THE IMPLEMENTATION OF THE PRODUCTION STRATEGY. TO BRING THE SERIOUSNESS OF THIS POINT HOME TO THE GOVERNMENT, WE RECOMMEND, THAT FOR EACH OF THE YEARS DURING WHICH THE STRATEGY IS BEING IMPLEMENTED, A SPECIAL DONOR REVIEW MEETING BE CONVENED FOLLOWING THE WHEAT HARVEST TO REVIEW AND EVALUATE PROGRESS MADE OVER THE PREVIOUS YEAR AND MAKE WHATEVER ADJUSTMENTS APPEAR TO BE NECESSARY TO INSURE EFFICIENT IMPLEMENTATION OF THE STRATEGY FOR

THE ENSURING YEAR. WE BELIEVE THIS PROCEDURE WILL HELP THE GOVERNMENT TO KEEP ITS FOCUS ON THE OVERALL TARGET. PLEASE NOTE THAT THE TITLE III PROPOSAL WE ARE WORKING ON WILL BE CONSISTENT WITH THE PRODUCTION STRATEGY COMMITMENTS ELABORATED ABOVE.

7. IN SUMMARY, WE BELIEVE THAT OBSERVATIONS INDICATE A SERIOUS FOOD GAP OVER THE COMING YEAR 1978-79. ON THE ORDER OF ABOUT 1.5-2 MILLION LIMITED OFFICIAL USE

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TONS, POSSIBLY MORE. WE WILL KNOW MORE ABOUT THE GOVERNMENT'S POSITION WHEN THE AIDE MEMOIRE IS CIRCULATED ABOUT MID-JULY. WE WILL CONTINUE TO BSERVE AND CARRY ON THE DIALOGUE WITH THE GOVERNMENT TO INSURE WE ARE PRIVY TO ANY NEW INFORMATION WHICH WILL BE REPORTED.

8. WE WELCOME COMMENTS. HUMMEL

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## Message Attributes

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